RICHARD RUSSELL'S DOW THEORY LETTERS INCORPORATED

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March 12, 1986 LETTER 934

Feb. 28 DJIA 1709.06; PTI 2174; A-D Ratio -7.16
March 7 DJIA 1699.83; PTI 2179; A-D Ratio -6.91

THE MARKET: On February 21, the D-J Transportation Average recorded its bull market high at 797.72. On February 27 the D-J Industrials recorded its own bull market high at 1713.99. Following the Industrial high, the Averages turned erratic. But no real selling pressure was evident. In fact, on March 4, the advance-decline ratio, which is indicative of the advancing or declining tendencies of ALL NYSE stocks, rose to a new bull market high.

The continuing strength in the A-D ratio, despite dips in the Averages, is impressive. It is important to remember (as I outlined in the last Letter) that a "buying stampede" is a rise of five points or more in the A-D ratio without an intervening correction of as much as one point. So continued strength in the A-D ratio at this point (regardless of erratic action in the Averages) would mean a continuation of the buying stampede. As of this writing (see page 2 chart) the buying stampede, as gauged by the A-D ratio, is STILL IN EFFECT. If, in the period ahead, we see a drop of a full point in the A-D ratio we will know that the third buying stampede since late-1984 has come to an end.

Conclusion: the buying stampede is still in force. If it is about to end, the odds are that the market will still hold together -- at least for many months. To my knowledge, no bear market has started immediately following the end of multiple buying stampedes.

WHAT DO WE DO NOW? One of the fascinating things about this field is the neverending series of fads and fashions that are obviously an integral part of the investment business. Right now stocks are in, bonds are in, and rare coins are in. Because we appear to be in a long-term deflationary or disinflationary period, housing is now out, most collectibles are out and land and farms are out. Also, because of pending new legislation tax shelters are out.

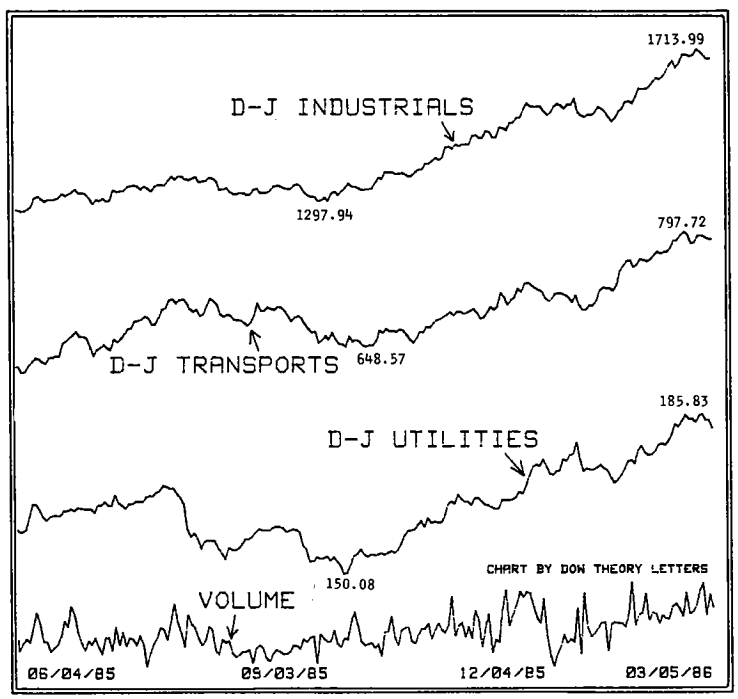
The hardest thing in investing is to recognize change or even the possibility of change. Back in 1979-80, it seemed as if inflation, gold and silver were the wave of the future and the key to riches. Then the inflation bubble burst and for the next two years nothing seemed to have any future. The stock market bottomed out in August 1982, and interest in stocks (spurred by the bull market) slowly increased. Along around 1985, everybody noticed that bonds were hot (the bond bull market actually began in late-1981), and today bonds are the new darling of investors.

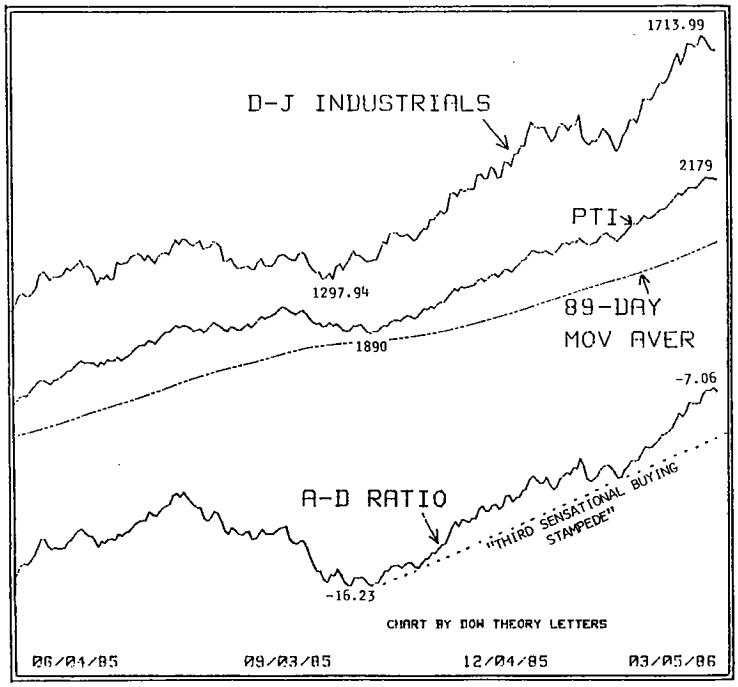
Along with these trends came a renewed interest in mutual funds. The interest turned white hot during 1984 and '85. Today we literally get a new mutual fund a week. Some fund management companies, in fact, control so many funds that it's downright confusing (Fidelity has 61 different funds). Next came the rise of the mutual fund tracking industry, and currently there are about 17 publications dealing with funds, fund performance and fund switching.

I've often wondered how I've managed to stay in this business for 28 years. One answer is that I really love it. I eat, sleep and dream it. And I guess I'm reasonably good at it. But I think the thing that has really helped me the most is my ability (willingness) to recognize CHANGE. I know that bull markets in stocks come -- and they go (when they go we call 'em bear markets). I know that we can have bull and bear markets in bonds, precious metals, stamps, rare coins, real estate, you name it. If you build an advisory service based on a single item or category you're taking a big chance. One year your hot item is the darling of Wall Street. The next year the item and your advisory service are history.

In the investment world securities are bought by informed investors when those securities represent GREAT VALUES. The securities are accumulated and then held for years -- or even decades. The greatest single incentive to holding an investment is income (particularly safe income). The investor who bought a tax-free muni bond back in 1982 didn't need any great lecture about why he should purchase and hold the bond. He had one enormous incentive -- a tax-free yield of around 12%. When I bought Exxon at 29 for my kids back in 1982 I didn't need any big story about why Exxon was a buy. Exxon was then paying a $3 dividend which meant that it provided a yield of over 10%. I told people at the time that safe Exxon was like a bond -- with the probability of growth thrown in for good measure.

So the real money is made by investors who recognize great values, investors who buy those





great values, and investors who then have the patience and fortitude to sit with those securities until the general public recognizes the values and finally rushes in to buy them.

Everyone hates a bear market. A bear market smashes security values, squeezes the economy, decreases volume in business and is generally hard on our nerves. But a bear market does provide one service. It produces VALUES. At times (such as 1974 and again in 1982) a bear market produces fabulous values. One of the ways a bear market produces values is by squeezing the water out of securities. Another way is by setting off hardship cases, liquidation in stocks -- and bankruptcies.

"All very interesting," you say, "but where are we now? What are we looking at today?" My own feeling is that there isn't anything brilliant that we can do today. We're four years away from the last bear market bottom, and we're in an era where everyone is aboard the "speculation express." Now there's nothing wrong with riding the trend, but I do want to remind subscribers about that one little word -- CHANGE. The longer we ride the bull market the nearer we're going to get to the next big change.

Why am I writing all this? I'm not writing to warn of a bear market in March or a crash in May. I'm writing this to suggest that we all turn cooler as the market gets hotter. There are times (during bear markets) when you sit with cash, and let the markets express themselves. You are looking for great bargains, fat yields, values that are well nigh irresistible.

Then there are times (during bull markets) when you sit with stocks and bonds, and you watch the markets while waiting for the great speculative surge that turns values into ridiculous upside fantasies. Where are we now in the great bull market cycle? In my opinion, we're getting kind of close to over-valuation. The yield on the Dow is now 3.7%. Between 3.5% and 3.0% is generally considered "thin territory." Personally, I've just about halted my buying of securities. I buy a few bonds here and there, but basically I've got what I want, and I'm just watching the action. I hope most of my subscribers are in roughly the same position.

A few weeks ago (Feb. 26) I watched my old friend, Jim Dines, on FNN Network. Dines is extremely bullish, and he was talking about this being the greatest stock boom since the 1920s. Dines believes that this bull market could carry right into 1990 or '91. I'm not going to argue with him. For I well know that big bull markets always carry further than anybody thinks possible.

Dines noted that this is one of those rare instances where everything drops into place for the bull -- a declining dollar, a smash in the price of oil, little or no inflation, and a massive breakout on the inflation-adjusted Dow after 16 years of decline.

Even Joe Granville threw in the sponge on the bear in his recent Letter. Joe says that the bullish momentum of this market is just too much for any bear, and he recommended a list of stocks and stock options. A powerful primary movement tends to make believers of us all -- sooner or later!

At the beginning of this Letter I wrote about the ability to accept and even expect change. There is another asset that one needs in this business and that's PERSPECTIVE. I know that new subscribers would like long lists of stock recommendations, but at this stage of the game, with the Dow up over 450 points since April 1985, it's time to take a breather. In the early and mid points of a bull market, values dictate one's investment stance. During the latter stages of a bull market, values are forgotten, people buy simply because the market is going up.

In my opinion, we're now well into the speculative phase of this bull market. The market is hot, but of course it could get a lot hotter. Frankly, I find it hard to get excited about stocks that were selling for 30 to 50% less just a year ago. The "values" now are in the secondaries, and that means we're reduced to buying the best of the least. Accumulating secondaries has never been my cup of tea, but there are plenty of advisors and brokers who are only too happy to write you out a "buy list" a half mile long. Let the buyer beware -- or at least very careful.

INVESTMENT POSITION: Probably the majority of today's stock buyers (and sellers) have never seen a twin stock-bond bull market. But we're in one -- no question about it. The bull is in the box. Both the stock and bond markets are up on spike formations, and that has a lot of veteran market observers worried. Worry all you want, the price action as of this writing has been good. My PTI remains near its all-time high, and as I've said, the action of the A-D ratio is outstanding.

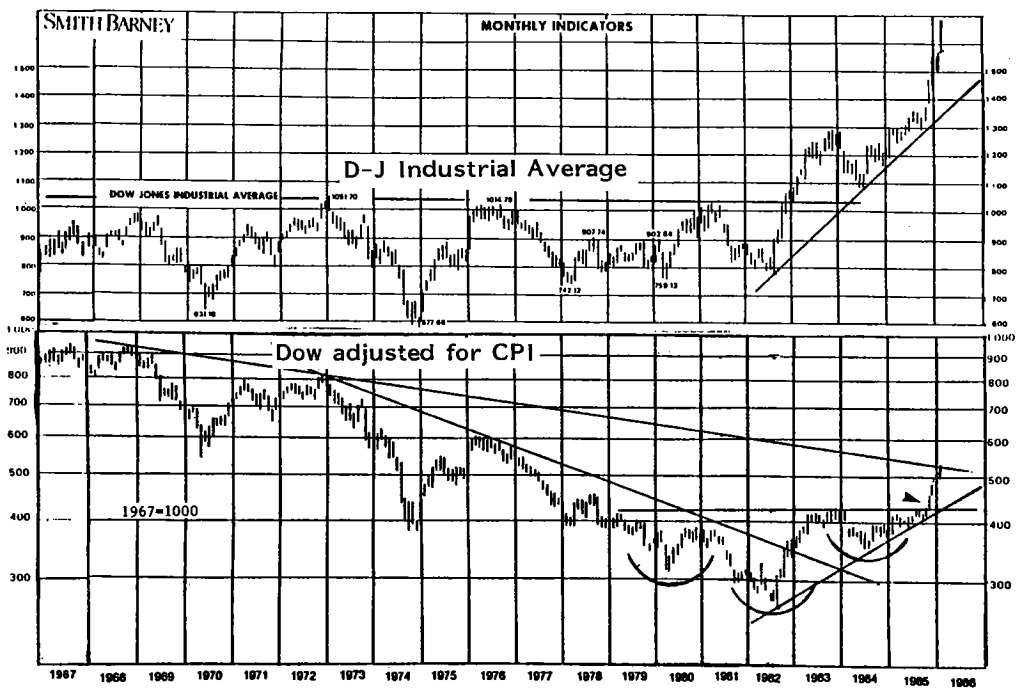
Personally I'm going to hold off new buying for a while. Let's see whether this market decides to correct -- or consolidate at a high level. To consolidate now, at a high level (say with the Dow holding above 1680), would be very good action. IBM seems to be on everyone's mind. IBM has not shown impressive relative strength for months, and now it's sagging. Below 142, and IBM will turn bearish. Speaking of blue chips, I like J.P. Morgan, the cream of the money center bank stocks. I recommended this stock at 36, and I still like it at today's 72, where it

sells for less than 10 times earnings. No collector of blue chip stocks should be without JPM.

ADJUST: One of the big arguments used by present-day bulls is that "the Dow is still dirt cheap," based on the fact that the inflation-adjusted Dow has just broken out of a head-and-shoulders bottom. The accompanying chart (courtesy of Smith Barney) pictures the Dow divided by the CPI.

But how valid is the argument? I'm a bull on the stock market, but I warn readers not to swallow the adjusted Dow argument. As I've written many times before, a basic tenet of Dow Theory is that the Averages NEED NO ADJUSTMENT. The market value of the Dow is already adjusted for everything known to man from war possibilities to earnings prospects to inflation, deflation, oil collapses, interest rates, you name it.

Thus, to adjust the already-adjusted Dow for inflation is an exercise in futility. Admittedly, the inflation-adjusted Dow shown in the chart looks cheap, admittedly, the adjusted Dow looks like it is just moving out of its base -- but be careful. Adjusting the Dow is like trying to outguess the leading indicators. If the Dow is heading for 2000 or 3000, let it go on it's own. I don't need any adjustment to show me that the Dow is a screaming bargain.

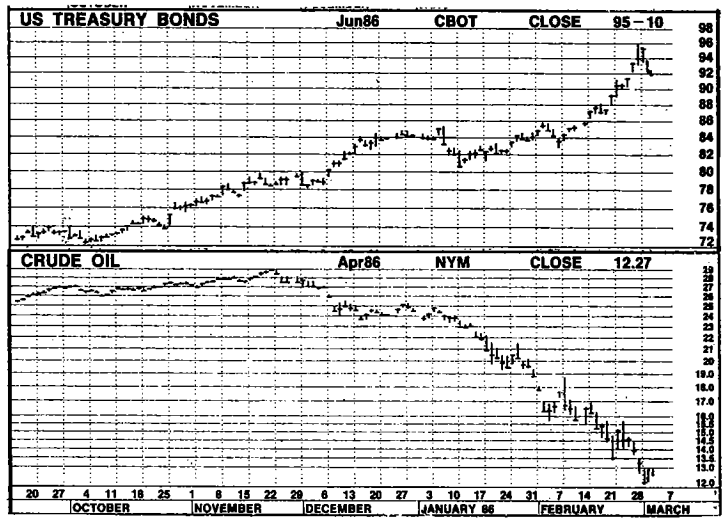

SMITH BARNEY
MONTHLY INDICATORS
D-J Industrial Average
DOW JONES INDUSTRIAL AVERAGE
Dow adjusted for CPI
1967=1000
1967 1968 1969 1970 1971 1972 1973 1974 1975 1976 1977 1978 1979 1980 1981 1982 1983 1984 1985 1986

OIL, BONDS, DISINFLATION: The arguments are now flying as to whether inflation is dead "for our lifetimes" or whether what we are seeing is a major breather, a dramatic interruption in what many insist is an era of perpetual inflation.

You want to know the true answer? Sorry, there is no absolute answer. But we do have markets, and the markets provide the answers that I operate on. Back in Letter 927 (Dec. 4) I showed a chart of the AAA corporate bond yields breaking below a trendline that extended back to the 1950s. I called this the "Chart of the Year." In that Letter I stated that "the bond market could be telling us that inflation is dead for years to come."

Again in Letter 930 (Jan. 15) I included a chart showing the D-J 20 Bond Average reversing a declining trend in bond prices, a declining trend that has been in existence since 1946! In that Letter I wrote that because of the great duration and extent of this downtrend, its reversal must go down "as an event of possibly historic importance."

All during this period we have been watching a bull market in bonds of breathtaking proportions. Old-timers who were used to seeing bonds move 2/ or


US TREASURY BONDS Jun86 CBOT CLOSE 95-10
CRUDE OIL Apr86 NYM CLOSE 12.27
OCTOBER NOVEMBER DECEMBER JANUARY 86 FEBRUARY MARCH

3/32nds in a day watched disbelievingly as bonds climbed 10 times that or more per day. In the period since last October (see chart, courtesy of Investors Daily) the T-bonds have risen 36%. Add to that the interest of over 10% and you're talking a total return of over 40% in a period of five months. Veteran bond watchers have never seen anything like it.

Last November the trend of crude oil turned down. In January the bear trend accelerated. By last week crude had lost an incredible 58% of its November value. A few days ago the widely-watched CRB Commodities Futures Index broke to a new low of 209, lowest level since 1978! Those two events are DEFLATIONARY. Combine that with a steady drop in money velocity, and you can see why the Fed has been flooding the market with money. The Fed is scared to death of a financial collapse.

The big plus in the story, of course, is that everyone is talking about the crash in oil, the shaky international banking picture, the plight of the less-developed countries, the farm depression, etc. Will markets collapse when everybody is ringing their hands? Not very likely!

No, markets are most dangerous when the pessimists have slunk into the woodwork and when the

doom-and-gloomers are laughed off the pages of the newspapers. We aren't there yet, we just aren't. The markets know that, and they revel in it.

You want to know what the biggest bull force in today's markets is? The new force is instant national and worldwide communication! Scary news, shocking financial news, hardship news, it's all over the TV, the magazines and the newspapers. It's keeping the public wary, it's keeping the doubters doubting, and it's providing a "communications wall of worry" that is this bull market's best friend.

No, I haven't sold out any stocks or bonds. And I won't until I see blue sky out there and pink clouds. I don't see them yet, I really don't. But somewhere ahead, they're coming -- you can count on it.

BEWARE: My wife, Faye, is taking a class on financial planning. Last night she came home from class and said, "You know my class (at Univ. of Calif., San Diego) is loaded with smart people -- CPAs, insurance salesmen, lawyers, graduate students. But many of them ask unbelievably stupid questions, and I couldn't figure out why. Then I realized that very few of these people have any real money of their own. They've never had to handle their own money, and that makes a big difference."

"That's right," I answered. "You've discovered something that I've had to learn the hard way. You learn about money yourself -- or you lose it. One of the big shocks to my delicate psyche came when I learned that accountants and lawyers and even financial planners don't necessarily know a damn thing about business. They may know accounting or the law, but they don't know what you have to do to make a profit. And they certainly don't have to know much (if anything) about investing."

So I'll say it again for my subscribers (and I've written this before. The hardest single task I've had to deal with (emphasis -- THE HARDEST) is to find people who can give me CORRECT INFORMATION.

How do you deal with this problem? (1) Ask questions! Give yourself the right to ask ANY question , such as where did you get your degree, where did you work before, what are your references, who are some of your clients?

(2) Read up on the subject yourself. If you are going to a lawyer about setting up a living trust, read a book first on trusts. Know enough to know whether this guy knows his stuff.

(3) Call a few of the fellow's clients. See what they think of him. Did he know what he was doing? Were his charges reasonable?

(4) Get comparisons. If you're buying insurance, get two agents in competition. You'll soon learn which one is slicing the baloney (assuming that's what is occurring).

So I cannot stress enough that YOU have to do some hard work to get hard answers. It's your money and the other guy is not going to sweat over it (except maybe to get some of it). LEARN IT OR LOSE IT! It seems to come to that again and again (at least it does in my dealings).

APOLOGIES! In the last Letter I noted that the big ISI investment seminar would be slated for March 19 to 23. I'll be speaking there. But, alas, I gave the wrong telephone number. The correct number for info is (813) 955-0323. This seminar should be a winner. Bring your suntan oil.

NOTES & QUOTES: The Washington Post recently published a list of the "most walkable" cities in the world. Overseas the winners were Venice, Copenhagen, Vienna and Paris. In the US their list agrees with my own experience: New York, San Francisco and New Orleans. These three are what I term the "three street-scene cities." New Orleans walking should be confined to the French Quarter. San Francisco is a great walk almost anywhere, but you'll be puffing up those hills. NYC is my favorite walk, and Gotham undoubtedly has more freebies, museums, stores, great restaurants and show places than any other city in the world.

* *

From our idiot dept.: Do you believe this one? The Marcos crowd freaked at the PX, and our guys gave 'em what looks like unlimited credit! (Clip from a March 6 newspaper.)

■ **U.S. officials were** trying to decide whether members of Marcos' family and entourage who "charged" $12,000 worth of clothing and other items at the post exchange in Guam should be made to pay for them.

* *

The Feb. 19 USA Today published a fascinating interview with Arkady Shevchenko, the highest ranking Soviet official to defect to the US. I include a few informative excerpts, and they are well worth pondering.

USA TODAY: Do the Soviets really want normalization of relations between the USA and the U.S.S.R.?

SHEVCHENKO: On one hand, the Soviet leadership doesn't want any major confrontation with the West and the USA in the near future because of their preoccupation with domestic dilemmas. They want to improve the economy and to eliminate the growing gap in high technology between the West and the Soviet Union. But in the long range, you have to understand that the final objectives and goals of the Soviet leadership never change. It is the same thing — that they will win in the historical competition with capitalism, if not in this century, then in the next.

USA TODAY: Then the Soviet Union plans to take over the USA and the world eventually?

SHEVCHENKO: It's a fantasy to think that the Soviet leadership really has a specific timetable and kind of a master plan of how to dominate the world. It's rather a philosophical concept in which they believe that capitalism contains elements of self-destruction.

USA TODAY: Is Gorbachev different as a Soviet leader?

SHEVCHENKO: He is a hard-core communist, a product of the Soviet system, a believer in the Soviet system. He has an acute sense that unless the Soviet economy is modernized, the tremendous technology gap with the West eliminated, survival of the Soviet system will be at stake. It's not so much because he is concerned about the well-being of the Soviet people. He is concerned about the future of the system. We can expect a major effort to reallocate the resources in the Soviet Union from the military to the civilian sectors.

From my own studies I would say there are four massive problems currently confronting the Russian leaders. (1) The huge cost of the military, including the war in Afghanistan. (2) The problem of the widening gap between the US and the Soviets in technology (in favor of the US). (3) The problem of what to do about access to computers and copiers on the part of the Russian people. Computers and

copiers mean dissemination of information. Access to information means free thought, and free thought always threatens communism. (4) The problem of the bumbling Soviet economy which renders the Russian economic system the joke of the economic world. This problem increases in importance as the Russians watch China gear up for fierce economic competition.

* *

The Conservative Digest in its current issue interviews ex-Secretary of the Treasury Bill Simon. Wow, what an interview. Simon is not one to pull his punches, and here's just a little piece of that interview:

We ought to have a one-term, six-year Presidency. President Reagan agreed when I talked to him about it shortly before the election. He said: "Bill, my aides agree you've a good point. I'm not going to embrace it right now, because it would look like we were admitting I'm too old to go for a second term. But I agree with you one hundred percent." My, how he's changed —just like everybody else who ever walked into that damn Oval Office. Remember how Richard Nixon said he was going to run for one term? The minute they get in there, they start running for the second one. You can forget that first four years. "Let's be popular," that's the theme. "Let's be loved."

As long as the economy is doing fine, whoever's in the White House will be loved. But there will be a downturn. It will come in the next year or so, and I believe we're going to have an increase in inflation and higher interest rates and perhaps an international financial crisis which they're doing absolutely nothing about. When that sort of thing happens, Presidential popularity is out the window and you've lost your opportunity. They will then go forever living in their winter of discontent, which they deserve, because they did absolutely nothing to cure the long-term problems when they had the power to do so.

But right now, the only thing this group in Washington cares about is not having the great disaster occur on their watch.

* *

People in Washington talk about the "Industry of Congress." What does that mean, an industry? Want to know? Ponder this: The following are all connected with the Congressional process: 25,000 lawyers, 7,600 lobbyists, 4,273 reporters and photographers, 17,963 Congressional staff, 683 roll call voters in the House and the Senate, 540 million pieces of mail in 1985 costing $107 million, 3,183 on the House and Senate Subcommittee staff. Now that's an industry! And with all of this, they can't come up with a budget.

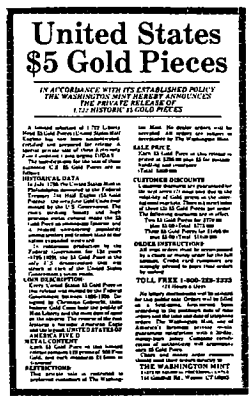
* *

Today's World: One in every 35 men in the US is now on probation, parole or in prison. ... The following from an article in the Feb. 25 New York Times: " The statistics are just beginning to surface; we estimate that 1 out of every 5 girls and 1 out of every 9 boys will have reported being sexually abused at least once by an adult during childhood years."

Nobody lives forever, but a few come close. Fannie Thomas of the US (in Guiness Book of Records) died in 1981 at the age of 113. Two weeks ago Japan's Shigechiyo Izumi died at the authenticated age of 120. He was the oldest man in the world. Izumi was born and lived out his life on a remote island south of Kyushu. He was recorded as a 6-year-old in Japan's first census in 1871! Asked for the secret to his age, Izumi said a simple diet (a lot of rice gruel and bean paste soup) and a daily drink of shochu, an alcohol distillate of black sugar which he termed "firewater." And you can bet Izumi never worried about stock trends, capital gains, taxes or tight schedules!

* *

Watch It! The Silver & Gold Report (PO Box 40, Bethel, CT 06801) besides being a fine publication performs a great service by warning its readers about various questionable advertisements. There are plenty of legitimate dealers and honest advertisements, but my advice is as follows: always check any offer with a few coin dealers and get quotes on whatever is being offered. These two ads were discussed by Silver & Gold, and I would like my subscribers to read the comments carefully.



It sounds like an arm of the US government, but it's actually a private corporation. They offer $5 gold Indians—in **"Extremely Fine Condition"**—for $395 each "plus $5 in postage."

We checked our copy of the coin listings in *Numismatic News* around the time the ad was released and found that you could buy $5 Indians in the same condition for only $170, saving $225 per coin. Furthermore, you could buy them in MS 60 condition—two notches better—and still save $130 per coin!

Announcing a PRIVATE SALE
for READERS OF PARADE
The 5-piece Morgan Silver Dollar Collector's Set that had sold for $250 is now available for the special low price of just $98.00
For the next 2 weeks only
UNITED STATES SILVER DOLLARS
COLLECTOR'S SET
CALL TOLL FREE 1-800-847-4100

"...we are making an unprecedented SPECIAL OFFER on our beautiful five piece Morgan Silver Dollar Collector's Set for just $98.00 per set...For the next 2 weeks only."

We clipped this "unprecedented" offer from the December 29, 1985 issue of Parade Magazine—five Morgan silver dollars in fine condition for "only $98.00 per set." What they don't tell you is that the coins are worth maybe $60 a set, and if you went to sell them, we doubt you'd get $40.

Furthermore, while they warn that their offer is good "For the next 2 weeks only," we clipped the same offer out of *Spotlight* on February 3, 1986—five weeks later. So it seems this is no "SPECIAL OFFER" as they claim, but merely their normal high price.

Finally, they tout this coin set as a great investment. Yet they admit that "Only a few years ago we were selling our five Morgan Silver Dollar Sets for $250.00." And when *SGR* warned against them in 1984, they were selling the same sets for $150. So, far from being a great investment, Numismatic Guild's silver dollars have *fallen* in price over 60% in the last few years—and they're still grossly overpriced!

* *

As subscribers know I like the new newspaper "Investor's Daily." Investor's Daily deals basically with markets, and it offers all kinds of valuable market information. One of the items it includes on the front page each day is a list of the stock groups with the greatest number of individual issues hitting new highs.

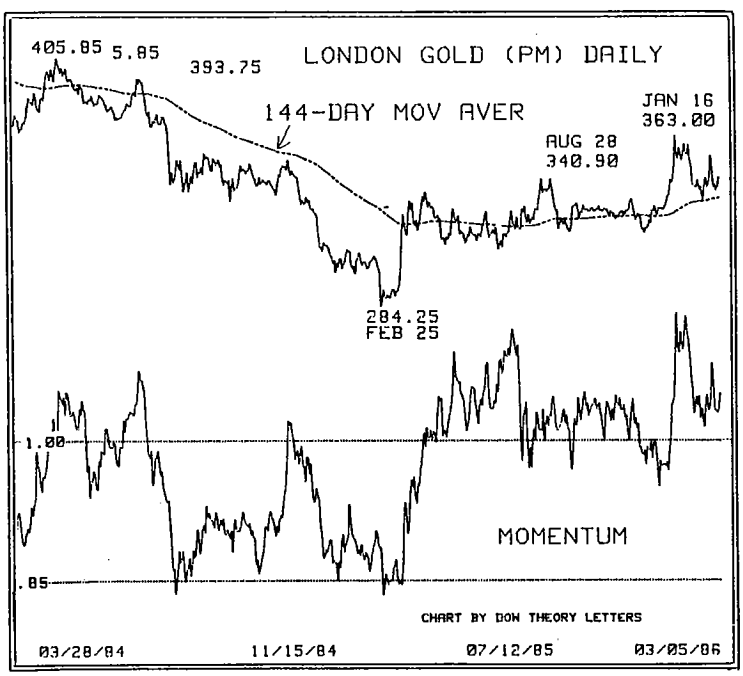
On Feb. 26 the following list was published and I had to smile. Here's (tongue-in-cheek) the way I figure

it. Tobacco is killing Americans. The payments consumers are making to finance companies on their loans are probably also killing Americans. Both the tobacco and finance (small loan) companies are doing pretty well. But the real beneficiary is the No. 1 group, the funeral service industry. So keep smoking and borrowing, America!

Groups With The Greatest % Of Stocks Making New Highs	
Funeral services & rel	67%
Finance-consumer loans	33%
Tobacco	33%
Advertising	31%
Linen supply & related	29%

GOLD: My good friend Bob Prechter of Elliott Wave fame predicts that gold will go down to around 105. It might, but if it does here's one guy who will be shocked. Anyway, my own computer-drawn chart says that at least so far in 1986 gold "ain't acting half bad" (they talk that way in the West). Gold is holding above its 144-day moving average, and the moving average is slowly rising. Gold's momentum (89-day rate-of-change) is also holding positively above 1.00. This action is all the more remarkable in view of (1) oil collapse, (2) the big decline in interest rates, (3) the new lows in the commodity index, (4) the slide in the inflation rate.

On the downside, I would not like to see gold break below 308. On the upside, a rise above 363 would be extremely bullish. Meanwhile, I am not nervous about my gold coins. And, personally, I think the gold action, the refusal of gold to crash with oil and the commodity index, is fascinating. What won't go down -- goes up (in due time).



Question: What about rare coins as an investment?

Answer: Do you remember in the 1970s and up to the '80s that stamps were the rage? I am a long-time stamp collector, and I remember those days well. Stamps I bought at $500 in 1960 were selling up to $5000 in 1979. And it was on and up "to the moon." Then stamps dropped dead and for five years now they have been going sideways or down. The stamp market has picked up a bit lately, but it is no great shakes.

Today coins are the rage. No one exactly knows why. One veteran dealer told me that it is simply because of intense dealer promotion. That may be part of it, but there is an intangible reason. People want something of value, something they can touch and feel -- something with weight and appearance. So coins are now the item, and the newspapers and magazines are chockfull of ads telling you how to make a fortune in rare coins.

If you are not a student of coins, I would advise you to take it very easy in this area. Coins are subject to grading (and the very high grade or MS-65 is what brings the price), fashions, fads, cycles, metal prices, and almost anything else. On top of that the market (bid and asked) for rare coins is thin, often around 20% between bid and asked. My advice: Before you buy rare coins subscribe to a few coins magazines. Get acquainted with the coin markets. I know collectors who made money in stamps and coins. I know very few so-called investors who have made money in either.

Information: I have received many questions about gold coins. This may help: The Austrian 100 Corona contains .9802 ounces of gold and sells for a very slight premium (around 2%) above gold content. The Kruggerand contains exactly 1 ounce of gold, as does the Canadian Maple Leaf (the KR will sell for about 3.5% above gold content, the ML about 5%). The Mexican 50 Peso piece contains 1.2057 ounces and sells for about a 5% premium. The British Sovereign contains .2354 ounces of gold and sells for 8% premium.

As far as dealers are concerned, I know the following to be honest and efficient: James Blanchard & Co. (800-535-7633, 504-456-9034): Investment Rarities Inc. (800-328-1860, 612-853-0700). It is perfectly OK to ship gold via the US mail, and as you know messing with the mails is a Federal offense.

There are a number of gold funds, and they hold gold stocks and some hold gold coins and bullion (you'll have to check on their current status). The following are no-load gold funds: Lexington Gold Fund, (800) 526-4791; United Prospector, (800) 531-5777; Golgonda Investors, (800) 431-6060. By the way the three gold funds listed are the top performing no-load gold funds over the last year.

In case you've wondered, the Gold and Silver Mining Index (can be punched out on the brokerage machines) is XAU. This weighted index is made up of the following: Homestake, 32%; Campbell Red Lake, 27%; Dome Mines, 15%; ASA, 10%; Hecla, 7%; Sunshine, 4%, and Callahan Mining, 3%. This is a very handy metals index to follow.

The oil index is a price-weighted index of 15 major oil stocks (XON, TX, AHC, CHV, MOB, BP, ARC, etc.) and the symbol is XOI. This is a very handy way to follow the action of the oil stocks.

LATE NOTES: Well, the Fed finally lowered the discount rate, so they won't have that rumor to kick around any more. And IBM has turned weak, so Wall Street won't have good action in Big Blue to cheer about for a while. BUT, on Friday (March 7) the A-D Ratio for the NYSE hit a new bull market high. This tells us that money is still coming into this market -- and that's a big plus. The bonds are the place to watch, however. If the bonds can consolidate here (rather than correct in a big way), that would be very bullish for the market.

NEXT MAILING: March 26